

LUMPKIN COUNTY WATER AND SEWERAGE AUTHORITY

BOARD MEETING

July 21, 2015

Lumpkin County Administration Building Conference Room

Members in attendance: Murl Jones, Charles Trammell, John Gaston, Rhett Stringer, Vic Dover

Others in attendance: Sean Phipps, Dee Harris, Kelso Horne, Bruce Hoffman, Tommy Burns

Call to order: Chairman Murl Jones call the meeting to order at 2:00 pm

**Approval of Agenda:** Vic Dover. Second: John Gaston. Motion carried unanimously.

**June 16, 2015 Regular Meeting Minutes:** Motion to approve the minutes: Charles Trammell. Second: Rhett Stringer. Motion carried unanimously.

**Financials:** Director Sean Phipps presented financial reports for June. Motion to accept June financial reports: John Gaston. Second: Rhett Stringer. Motion carried unanimously.

**Camelot Water Line Extension** –bids are being advertised with responses due by 8/20/15. Prebid meeting on 8/13/15.

**2014 Financial Statement Presentation from audit:** see summary attached

**Directors report** – attached

Motion to adjourn to executive session to discuss real estate purchase and personnel issues: Charles Trammell. Second: Vic Dover. Meeting adjourned to executive session at 2:50pm. Motion carried unanimously.

Motion to return from executive session: Charles Trammell. Second: Rhett Stringer. Motion carried unanimously. Returned to regular meeting at 3:25pm

Motion to accept sales contract for elevated tank site: Charles Trammell. Second: Vic Dover. Motion carried unanimously.

Motion to approve pay increase as described by Sean Phipps during executive session: Charles Trammell. Second: John Gaston. Motion carried unanimously.

Motion to adjourn: Charles Trammell. Second: John Gaston. Meeting adjourned at 3:30pm.

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Chairman

## **Directors Report: July 21, 2015**

### **Health and Safety Issues:**

Nothing to Report

### **Repair and Maintenance:**

☐ **Copper Ridge** – LCWSA repaired a leak at Overlook Court and another leak at Indian Trail Road.

☐ **Greenwood Park** – LCWSA repaired a leak at Greenwood Trail.

☐ **400 Water System** – A discharge pipe downstream of the high service pump broke at the Hampton Forest Production Well. The high service pump has a low pressure switch on the suction side of the pump that will shut the pump down immediately if low pressure is detected to keep the pump running dry. The break appears to have been caused by water hammer on the discharge line that occurs when the high service pump shuts down suddenly. This event occurs when the demand from the distribution system is higher than the well production for an extended period of time. LCWSA has been coordinating with Turnipseed Engineering to find the best solution for the problem. The following improvements are proposed:

- Change the piping materials on the suction and discharge side of the high service pump from PVC to metal, either stainless steel or brass.
- Add float controls in the holding tank upstream of the high service pump that will tell the pump controller to shut the pump down at controlled rate if the water level in the holding tank becomes too low.
- Add a surge valve (pop off valve) on the discharge side of the high service pump that will allow pressure surges related to water hammer to be discharged outside the well house.

The materials and equipment were still under one year guarantee by the Contractor that built the well house. The Contractor has been contacted and is preparing to make the necessary repairs next week. They are currently waiting on materials to be delivered. LCWSA has advised Turnipseed Engineering that we expect the Contractor and/or Turnipseed Engineering to pay for the materials and labor required to repair the well house to its condition when construction was originally completed by the Contractor. LCWSA has offered to pay for the additional equipment that has been requested to address the water hammer problem as this equipment was not included in the original scope of work.

### **Potential Development:**

**Rock Pointe** – The Lumpkin County Planning Commission voted to approve a request for a building permit for the Crabapple Hollow Development. This 32 unit multi-family development is the second phase of the Rock Pointe Townhouse Development located off of Rock House Road. LCWSA has worked with the developer and the developer's engineer to request improvements be made to the water system by the developer to meet EPD standards for the additional units. The Lumpkin County Planning Commission advised the Developer that the improvements to the water system would need to be approved by the LCWSA before a Certificate of Occupancy would be granted for the new units.

### **Training:**

**Dee Harris** has enrolled in an online training program offered by the Carl Vinson Institute of Government in combination with the University of Georgia. Over the next several months, Dee will be completing a series of training courses that are specifically focused on Local Governmental Accounting and Annual Budget Preparation.

## 2014 Audit Summary

### Accounting Policies

The Lumpkin county Water & Sewerage Authority is operating with one Proprietary Fund Type – Enterprise Fund. The Authority uses the accrual basis for accounting.

**Audit Overview:** The auditors issued a clean opinion.

The audit process went much more smoothly this year than last. Most of the posting and balancing issues that were discovered during the 2013 audit have been addressed successfully. Throughout the process Tim Lyons and Adam Fraley from Mauldin & Jenkins were most encouraging and helpful. They were very pleased with our improvements over last year particularly with the much shorter time needed to complete their field work.

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### Overview of Financial Statements:

**Capital Assets** – net increase in Capital Assets due to the Construction in Progress of \$288,000 for 2014. The Hampton Well Construction Project.

Increase in Construction In Progress	\$288,000
Less Assets after depreciation	-110,000
Net Increase in Capital Assets	\$178,000

**\*\*NOTE\*\*** Project is now complete so this Construction in Progress balance will be rolled to a depreciable capital asset for 2015.

**Liabilities** – Principal reduction of \$282, 000 for 2014

Long term liabilities consist primarily of the 2000 Bond Issuance that has been refinanced two times in the past five years for better rates. Principal and interest for this note consumes some 28% of our operating revenue; about \$293,400 annually. There are 5 ½ years remaining on this note. The final payment is scheduled for February, 2021.

### **Benchmark – 2014 debt service ratio is 1.21%.**

Our covenant with BB&T for the Bond note is to maintain a minimum of 1.10%. We fell below that benchmark in 2013 but were able to recover due to refinancing. A healthy debt service ratio is 1.50%. A higher debt service ratio is important because it directly affects our ability to get financing and the rates associated with financing.

### **Net Position – value of Authority's equity**

2014 saw an increase in Net Position of approximately \$420,000 due to inflow of SPLOST funds for Capital Construction, modest reductions in general expenses and increase in revenues, and from reclassifying some accounts.

Total Net Position \$2,447,126

\$2,220,405 is the net value of the Authority's infrastructure, vehicles, land, inventory

\$265,480 is the total unrestricted net position; the amount of net position available that has no external encumbrance, such as earmarked for a specific purpose, or collateralization.

**Cash Flow** – cash flow continues to be healthy however, the Authority's debt obligations are significant. The net cash from operating activities was over \$430,000 but once the \$411,033 in liabilities was deducted the Authority realized an increase in cash of \$21,244 for 2014. Still a net profit even though it is a small one.

### **Material Weaknesses –**

1. Intergovernmental Revenues and Related Balance Sheet Accounts  
SPLOST reimbursements and project expense payments were posted incorrectly. Tim Lyon with Mauldin & Jenkins explained the process and assisted with setting up the correct accounts. The audit adjustment corrected the error and the proper accounts are now being used to post these items

### **Revenues and expenses for Hampton Well Project were reclassified to Construction in Progress.**

2. Financial Closeout and Reporting  
2013 accounts were not closed correctly in the Black Mountain Software resulting in the need for adjusting entries to set beginning balances for 2014 to the correct amounts. 2014 balanced exactly with the audit financial statements and all accounts were properly closed. 2015 has the correct beginning balance figures.

### **Some ending 2013 balances needed to be adjusted to start 2014 audit processing correctly.**

3. Each year the auditors note their concern with what they consider a lack of segregation of duties. Our processes and procedures include as much segregation as is possible with a small staff.

**Management Points:**

- 1) Bills not pre-numbered – this is no longer applicable as our billing statements are now created and mailed by a third party provider.
- 2) Security Deposit Bank Account and Security Deposit Liability Account out of balance – this difference arose from applied security deposits refunds. A customer's security deposit is applied to their final bill and any remaining security deposit is refunded to the customer from the security deposit account. The amount of the security deposit used to pay the final bill then becomes revenue and must be moved from the Security Deposit Bank Account to the Revenue Bank Account.  
New procedures have been implemented that address this issue by calculating the amount of revenue is generated from the batch of refunds paid; creating a journal entry to reclassify the funds from liability to revenue; and making the bank transfer, all as one task.  
The Security Deposit Bank Account and the Security Deposit Liability Account are now reconciled quarterly. Any differences are researched and corrected when discovered.

**Revenue is transferred from Security Deposit and reconciled monthly.**

- 3) Purchase (P) Card Policy – this issue can be addressed by creating and adopting a simple policy specific to the Lumpkin County Water & Sewerage Authority. Currently the Authority has two BB&T Visa Credit Cards, three Wex Fuel Cards, and several store accounts. The following is a sample of a P Card Policy that would meet the needs of the Authority:

**SAMPLE****Lumpkin County Water & Sewerage Authority Purchase Card Policy**

P-Card and Store Account access may be assigned to Lumpkin County Water Sewerage Authority employees for the purpose of purchasing supplies, fuel, or to pay traveling expenses.

P-Card and Store Accounts are for Authority related purchases only.

Receipts for purchased made with P-Cards or Store Accounts are to be submitted to supervisor/accounting for processing.

Purchasing items or incurring expenses for personal use with a Lumpkin County Water & Sewerage Authority P-Card or Store Account may be grounds for dismissal.

Any unauthorized charges, interest, fines, or fees relating to the improper use of a P-Card or Store Account will be the responsibility of the employee. All necessary efforts to collect said charges, interest,